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on Monday, 24 June 1996, at 10 a.m.

President: Mr. GERVAIS (Côte d'Ivoire)

CONTENTS

OPENING OF THE SESSION

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS

POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH HEADS OF MULTILATERAL FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM

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The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

The PRESIDENT declared open the substantive session of 1996 of the Economic and Social Council and said that, in adopting resolution 50/227, the General Assembly had recognized the important role of the Council as the central mechanism for coordination of the activities of the United Nations system and its specialized agencies and supervision of subsidiary bodies, in particular its functional commissions, in the economic, social and related fields. It was for the Council to give practical shape to those goals and, in that connection, he hoped that it would be able to initiate a number of restructuring measures during 1996.

The Council's current substantive session was important not only because reform measures needed to be initiated but also because of the relevance of the themes to be considered. The discussions on the strengthening of cooperation between the United Nations development system and the Bretton Woods institutions in the field of social and economic development were also of critical importance.

He informed the Council that the Permanent Representative of Argentina to the United Nations, Mr. Emilio J. Cárdenas, who had been elected Vice-President of the Council, had left New York. The Latin American and Caribbean Group had endorsed the candidacy of Mr. Carlos Dante Riva, Chargé d'affaires of the Permanent Mission of Argentina to the United Nations, to complete the term of office of Ambassador Cárdenas. He took it that the Council wished to elect Mr. Carlos Dante Riva as Vice-President to complete the term of office left vacant by the departure of Ambassador Cárdenas.

It was so decided.

Mr. DESAI (Under-Secretary-General for Policy Coordination and Sustainable Development) said that the United Nations carried out its development activities at three levels. The first was the process of policy development which, over the previous four or five years, had shown great vitality following the organization of a number of major global conferences.

The latter had played an important role in bringing together delegations from Member States, non-governmental organizations and other interested parties in forums which had helped to define the international agenda for action in certain crucial areas. The second level consisted of the standing political processes which served as a link between the global conferences and the monitoring of the implementation of their decisions. At that level also, policies were developed in those areas not covered by the global conferences. Finally, at the operational level, the Organization sought to maintain the political energies and commitment to the implementation of the decisions adopted by the conferences.

In resolution 50/227, the General Assembly had requested the Council to conduct an annual review of the overall financial picture of funds and programmes with a view to making recommendations on an integrated approach to the funding of development within the United Nations system. It had also asked the Council to eliminate those aspects of its work which duplicated the work of the Assembly or which were not relevant to the work of its subsidiary bodies. At its current session, the Council must therefore decide how best to undertake a review of its mandates, functions and working methods. It must also review the role of the regional commissions and its own relationship with the specialized agencies at the field and headquarters levels in order to identify areas in which coordination could be improved.

Resolution 50/227 was therefore a major instrument for restructuring the Council's work and strengthening its role in the development of policy and in ensuring that the momentum of the work generated in the United Nations by the great global conferences was carried forward effectively.

Mr. SPETH (Administrator of the United Nations Development Programme (UNDP) and United Nations Special Coordinator for Economic and Social Development) said that a number of important developments had taken place in the past year, including the holding of the Fourth World Conference on Women and the second United Nations Conference on Human Settlements (Habitat II). The United Nations and the Bretton Woods institutions had adopted an integrated approach to the follow-up of the decisions and recommendations emanating from those Conferences. The United Nations System-Wide Special Initiative on Africa had been launched in March 1996 in order to give a more prominent place in the international agenda to that continent's need for sustainable and people-centred

development and to more effectively coordinate the Organization's contribution to the efforts being made in that regard. He wished to acknowledge the excellent cooperation which the Special Initiative had received from the World Bank. For its part, the ninth session of the United Nations Conference on Trade and Development had infused new life and direction into that body.

All of those events underscored a logic that was simple yet powerful. None of the goals for which the United Nations had worked over the years could be achieved except in the context of sustainable, people-centred development. Moreover, development was not possible without international cooperation. The reality was that, despite the trend towards globalization, increased trade opportunities and private sector investment, the balance of forces was heavily skewed in favour of a small group of countries. Although it was generally believed that developing countries were now better off than before, recent World Bank data showed that, in over 60 per cent of the countries to which the United Nations and other development partners provided development assistance, per capita income had actually declined over the previous decade. For development assistance to succeed, the United Nations was needed to do things which other development partners simply could not do. Indeed, the Organization's record in the field of development cooperation was second to none.

It was therefore ironic that just when the end of the cold war had eliminated the distorting effects of that conflict on development cooperation, when the development assistance community was finally learning how to do its job more effectively, and when the needs of the developing world were mushrooming, the resources needed for development cooperation were shrinking rapidly. Over the previous four years, real development assistance, not including humanitarian aid, had declined by 25 per cent. It was also ironic that just as the global community was beginning to understand the links between peace and development and the United Nations was being called upon to play a peacemaking role in conflict areas and to assume responsibility for the follow-up to the great global conferences, the Organization was threatened with a financial crisis of unprecedented proportions. Those were not only ironies but tragedies of the current era.

Current trends must be overcome. He paid tribute to those States which had gone against those trends and acknowledged, in particular, the leadership role

being played by Japan both in terms of its development philosophy and its unmatched contribution to development cooperation. He also paid tribute to Denmark, Norway, Sweden and the Netherlands which, over the years, had consistently met the target of 0.7 per cent of gross domestic product for official development assistance.

The Council must play a leadership role in sustaining United Nations operations financially and in ensuring the success of the follow-up to the major conferences and to the Special Initiative on Africa. For its part, the Organization must complete the current reform process as early as possible. Reform was not downsizing. Rather, it was the building of the great institution that was needed to deal with current problems and with the challenges of the twenty-first century. In order to achieve that goal, it was essential to strengthen not only the resident coordinator system but also cooperation between the United Nations on the one hand and the Bretton Woods institutions and the World Trade Organization (WTO) on the other as well as to develop a unified framework within which to carry out the operational activities of the United Nations system. The Council had a crucial role to play in the reform process and without its leadership it was doubtful whether the Organization's goals in that area could be achieved.

ADOPTION OF THE AGENDA AND OTHER ORGANIZATIONAL MATTERS (E/1996/100, E/1996/L.16 and E/1996/L.17)

Mr. DESAI (Under-Secretary-General for Policy Coordination and Sustainable Development) responding to the question raised by the representative of the United States, said that the implementation of General Assembly resolution 50/227 could be taken up under the present item.

Mr. MARRERO (United States of America) said that he would welcome clarification concerning the Council's role in promoting the Special Initiative on Africa.

Mr. SPETH (Administrator of the United Nations Development Programme (UNDP) and United Nations Special Coordinator for Economic and Social Development) noted that a panel discussion on the Special Initiative on Africa would be held on 10 July 1996. There was a very powerful linkage between the United Nations New Agenda for the Development of Africa in the 1990s and the Special Initiative on Africa, the latter being one of the principal ways of implementing the former. He would answer the question raised by the United

States representative both in the course of the policy dialogue and during the panel discussion.

Mr. BAILLARGEON (Canada) asked whether the question of harmonization of work programmes would be addressed under item 9 and whether a note to that effect was being prepared.

Mr. DESAI (Under-Secretary-General for Policy Coordination and Sustainable Development) said that a background note on the whole question would be available for the discussions of the general segment.

Mr. PEDROSO CUESTA (Cuba) asked whether the report of the Administrative Committee on Coordination contained an analysis of the role of the United Nations with respect to the Special Initiative on Africa and an analysis of how the Initiative and the United Nations New Agenda for the Development of Africa in the 1990s would complement each other.

Mr. SPETH (Administrator of the United Nations Development Programme (UNDP) and United Nations Special Coordinator for Economic and Social Development) said that his organization's current plans were reflected in the ACC report. All delegations had been provided with copies of the full report released earlier on in the year on the Special Initiative on Africa. Additional copies would be made available for those delegations which did not have any.

The agenda was adopted.

The PRESIDENT drew attention to the proposed programme of work for the substantive session of 1996 (E/1996/L.16). He had been asked to draw the council's attention to General Assembly resolution 50/206, which contained measures on control and limitation of documentation, and especially to paragraphs 6, 7, 8 and 11 thereof.

It had also been suggested that, bearing in mind the provisions of rule 46 of the Council's rules of procedure, the Council should continue its practice concerning statements in exercise of the right of reply.

He took it that the Council wished to approve its programme of work for the substantive session of 1996 as contained in document E/1996/L.16.

It was so decided.

The PRESIDENT said he took it that the Council wished to approve the accreditation of the Union des Conseils Economiques et Sociaux d'Afrique (UCESA) to the Economic and Social Council.

It was so decided.

The PRESIDENT invited the Council to begin its high-level segment and, in particular, the one-day policy dialogue and discussion, which would be on important developments in the world economy and international economic cooperation with heads of multilateral financial and trade institutions of the United Nations system. The outcome of the one-day policy dialogue would be included in the presidential summary of the high-level segment.

POLICY DIALOGUE AND DISCUSSION ON IMPORTANT DEVELOPMENTS IN THE WORLD ECONOMY AND INTERNATIONAL ECONOMIC COOPERATION WITH HEADS OF MULTILATERAL FINANCIAL AND TRADE INSTITUTIONS OF THE UNITED NATIONS SYSTEM (E/1996/60)

Mr. RICUPERO (Secretary-General of the United Nations Conference on Trade and Development (UNCTAD)) said that in recent years the contribution of the developing countries to the growth of the global economy and trade had been far in excess of their economic weight. During the period from 1994 to 1995, growth in world output had fallen from 3 per cent to 2.5 per cent and growth in the developed economies had declined from 2.8 per cent to 2.1 per cent whereas growth in the developing countries taken as a whole had reached more than 4 per cent in 1995 and was expected to be in excess of 5 per cent in 1996 and 1997. Growth in developing countries was expected to continue to outpace expansion in world output and in the industrialized countries.

The autonomy of economic growth in certain developing countries vis-à-vis the traditional locomotive of growth in the industrialized world was a new development which might have far-reaching implications. A number of Asian countries had posted growth rates in excess of 7 per cent at a time when Japan was in recession and demand growth was sluggish at best in the rest of the developed world. Performance indicators in the area of imports had been just as lopsided. At 13 per cent in 1995, import growth in Asia had exceeded the world average for the fourth consecutive year. Being internally generated, the volume of Asian developing country imports did not depend on the growth of industrial economies and had instead become significant for those economies. The same was true as regards Latin America where, between 1990 and 1995, the average growth in the volume of merchandise imports had been 11.5 per cent as compared to 10 per cent for Asia.

Economic growth alone would not be sufficient to sustain such an expansion of imports. Significantly, developing countries had undertaken more than 60 unilateral trade liberalization programmes during and after the conclusion of

the Uruguay Round of Multilateral Trade Negotiations. In contrast only four members of the Organisation for Economic Cooperation and Development had liberalized their trade regimes during the 1980s. Those facts and figures suggested that the time had come to change the outdated cliches about developing countries lagging behind in trade liberalization.

Developing countries had also made important contributions to the global economy in the areas of macroeconomic stabilization, the significant liberalization and deregulation of financial markets and the unprecedented liberalization of rules related to foreign direct investment.

Having dwelt on what the developing countries were doing for themselves, he turned to what could be done to improve the external economic environment, and suggested that the main industrial countries could perhaps coordinate a strategy of economic expansion to, inter alia, promote budgetary policies that allowed for expenditures to combat unemployment. Japan had done precisely that at the end of 1995. As a result, in the first quarter of 1996, the economy had grown at its fastest rate for 23 years.

Drawing attention to a recent World Bank study, he noted that the generally buoyant projections for the global economy masked an increase in the number of least developed countries. A common trait of those countries was an acute lack of basic and productive infrastructures, high levels of foreign indebtedness and weak supply capabilities which made it difficult for them to take advantage of liberalized trade. Those problems could not be overcome without external technical assistance, financing and official development assistance (ODA) which, he hoped, would be provided by the International Monetary Fund and the World Bank.

Unfortunately, the level of ODA continued to fall, the most frequent excuse cited being the need to cut budget deficits in industrial nations.

One essential element which was still missing in the current external environment was a system of financial cooperation capable of preventing the emergence of serious financial crises and reducing the level of financial volatility. Not even the successive crises in the world economy during the previous decade had been able to catalyse a lasting solution. Monetary discipline accepted by the larger economies at the end of the 1980s had been abandoned without convincing reasons, and greater efforts were needed to

integrate the international dimension into the macroeconomic and monetary policies of those economies.

Some consideration should be given to the idea of setting up an early-warning system jointly operated by the United Nations, the Bretton Woods institutions and the World Trade Organization. The aim would be to detect emerging crises in order to take coordinated action to limit their financial, economic, social, humanitarian and security consequences.

Turning to the role of UNCTAD, he said that at its recent ninth session, UNCTAD had received broad political support from developing and developed countries alike. It had also received a clear and reinforced mandate which struck the right balance between a focus on new and emerging issues, such as investment and enterprise, and the maintenance of the institution's traditional agenda of dealing with persistent problems. Its intergovernmental machinery had been streamlined and simplified, and a far-reaching process of internal restructuring had been initiated. The most important result of the conference, however, had been the reinforcement of the concept of partnership among developed and developing countries with a view to promoting growth and development with equity and social justice, giving special attention to least developed countries and Africa. Effective and practical cooperation with other United Nations agencies was needed.

As in all periods of radical change, there was widespread fear about the future. People were afraid of the impact that increased competition and downsizing would have on their jobs. Workers needed concrete reasons to believe in the future, and it was the task of those in government and international organizations to provide such hope through action designed to promote growth, jobs and equality of opportunities.

Mr. SANDSTRÖM (World Bank) said that the keynote of the Bank's recent activities had been partnership and the promotion of collaboration between the Bretton Woods institutions and the United Nations system. Consensus had emerged on a policy framework for development, and the challenge currently facing the Bank was how to implement its policies most effectively in the field.

With regard to the International Development Association, which was the backbone of the international effort to reduce poverty, considerable progress had been made. A total of $19 billion had been agreed for the Association's regular budget, and an interim trust fund valued at $3 billion had also been set

up. The Bank's debt initiative, which was designed to address the problems of the most highly indebted countries, had also been successful in that it had received substantial support from a broad spectrum of shareholders of the World Bank and International Finance Corporation. Specific proposals would be forthcoming by the autumn.

Regarding its programme of assistance to Bosnia, the Bank had overcome problems relating to sovereignty and arrears and had established good relations with all the players at local level. A trust fund had been established and a number of projects had either been initiated or were being planned. Greater emphasis was being placed on taking a more systematic approach to post-conflict issues.

The Bank had also been heavily involved in microfinancing projects. A consultative group had been established and a programme was under way to provide assistance worth $200 million to low-income entrepreneurs, specifically women. In addition, the Bank was actively pursuing a programme of human and institutional capacity-building for Africa with country-specific orientation and a strong African leadership. Capacity needs assessments had been initiated in 12 countries.

At a more general level, the Bank had tried to improve its procedures, structures and partnerships. Poverty reduction remained its primary goal, but individual country relationships had now come into sharper focus. The institution was attempting to improve its responsiveness to rapidly changing circumstances by tailoring its assistance strategies more effectively. It was precisely at the individual country level that the Bank wished to strengthen its relationship with the United Nations system. The Bank's new approach to country assistance strategies placed clients squarely at the heart of its work. To that end the institution had developed new structures designed to provide a "one-stop shop" for clients; an increasing number of such facilities would be located in the client-country itself.

The Bank had also taken a fresh look at the flexibility of its financial products. It had expanded capacity-building and significantly increased investment in training of staff and management. All those reforms were taking place against a background of reduced administrative budget costs, which had translated into impressive cost-effectiveness gains.

Mr. NARVEKAR (International Monetary Fund) said that, from the perspective of the Fund, the process of globalization was a highly favourable development. World trade had expanded in recent years at more than twice the rate of world output growth, and vast amounts of investment capital were currently available through the international capital markets. Consequently, the world economy offered many new opportunities for countries to expand production, create new jobs, accelerate growth and raise living standards. However, globalization had also increased the scope for transactions which could threaten the world's security and the health of its population, for example drug trafficking.

A further challenge arising from the globalization process was the market's demand that all countries should adhere to higher standards of economic policy-making. That in itself was not an unwelcome development, since it provided a further incentive for countries to take the necessary policy steps to achieve sustained, non-inflationary growth. At the same time, however, when countries allowed policy discipline to waiver, private investment frequently moved elsewhere, taking with it the many opportunities that globalization had to offer. In some cases the resulting capital outflows could have highly destabilizing effects. Moreover, in countries where overall economic development was perceived as unsatisfactory - which was unfortunately often the case in the poorest countries - there was a further risk of marginalization from the mainstream of global economic activity.

The recent performance of the international economy had been generally encouraging. Average world economic growth had continued at a satisfactory rate of 3 1/2 per cent in real terms in 1995 and, in most of the world, inflation had declined or remained subdued. Such positive trends reflected the considerable degree of consensus about what constituted good economic policy and the determination of an increasing number of countries to put such policies into effect. Performance had been particularly strong in developing countries, where average GDP growth had registered close to 6 per cent for the fourth consecutive year and average inflation had fallen to the lowest level in over a decade. Assuming that countries continued to strengthen domestic economic policy, IMF expected that average world growth would pick up to about 4 per cent per year in 1996 and 1997, and that inflation would remain moderate.

While the continued growth in private capital flows to developing countries was encouraging, it was important to recognize that such flows were not the major source of investment in those countries. Most investment was financed out of domestic savings which materialized when economic agents had confidence in the domestic economic environment. Private capital flows to developing countries could supplement domestic savings, but they could be abruptly suspended or even reversed when investors lost confidence. Likewise, although official flows remained important in helping to meet basic human and infrastructure needs in the poorest countries, aid increasingly was being directed to countries that provided an environment in which such flows could be used productively. It was therefore clear that domestic economic policies were important. Countries which had established the longest and most consistent record of implementing prudent market-based policies, and countries which had done the most to increase the flexibility of their economies, had been the most successful in mobilizing domestic savings and attracting foreign capital inflows. Those countries had therefore achieved the highest and most sustained rates of growth.

At the same time it was important to recognize that there were still a number of problems that required international cooperation. Thus, the Fund had concentrated its activities in three main areas: strengthening surveillance, refining existing instruments so as to deal more effectively with special situations and strengthening financial resources. The Fund had taken steps to ensure that its monitoring of the economic and financial policies of individual countries was continuous, comprehensive and thorough by requiring all countries to provide it with a minimum set of core data. In order to enable international capital markets to function more smoothly, the Fund was developing two sets of standards to guide members in the dissemination of economic and financial data to the public. Given that globalization of financial markets had heightened the importance of sound banking systems, it might also have a role in encouraging members to adopt similar standards in the area of banking supervision.

The initiatives to strengthen surveillance had substantially improved the Fund's ability to identify and address emerging problems before they became crises. The procedures under which the Fund could respond rapidly in emergency situations had been clarified, and emergency financing procedures had been adapted to include "post-chaos" situations where timely assistance could be

instrumental in the reconstruction of economies devastated by war and internal strife.

Ultimately, the Fund's ability to continue to fulfil its mandate would depend on adequate financial resources. Work was under way on the eleventh General Review of Quotas and a substantial increase would be sought. It was also seeking to strengthen its concessional resources to enable it to continue to support the reform efforts of its poorest members. The membership had decided to put the Enhanced Structural Adjustment Facility on a permanent footing and was seeking ways to finance it during the interim period before it became self-sustaining.

Some of the most important challenges facing the global economy could be tackled only through a deliberate collaborative effort. The Fund's main contribution would be to help establish the macroeconomic framework needed to underpin the implementation of the social and sectoral programmes launched by other institutions. Thus, it had joined in supporting the Special Initiative on Africa and hoped to contribute, albeit indirectly, to progress in combating international drug trafficking by helping countries to gain control of their fiscal situations so that more resources would be available for health and education, improve banking supervision to limit avenues for money laundering, and establish the sound domestic economic policies needed to promote a wide range of legitimate economic opportunities.

Mr. GEORGIANNI (Observer for Italy), speaking on behalf of the European Union, said that the European Union attached great importance to the policy dialogue and stressed the link between that dialogue and the high-level segment. It had a number of questions to put to the heads of institutions present.

On the subject of drug control, it would be interesting to learn how the institutions saw their specific place in the framework of international cooperation to limit production, trade and consumption of illicit drugs. With regard to UNCTAD, it would be interesting to hear their views on how developing countries should act to benefit from the potential of globalization and resist its possible negative effects. If a gap was growing within the developing world between growth markets and the rest of the countries, what should be done to avoid marginalization of the poorest countries and how could individual Governments deal most effectively with globalization?

Concerning public administration, it would be interesting to hear what the institutions considered were the key functions to be executed by Governments and what functions were to be executed by others such as the private sector and whether improving the capacity of public administration should be a core area for development cooperation.

Noting that the Council would be dealing with poverty, he inquired whether the institutions saw much potential for substantial employment generation in developing countries as a key tool to reduce poverty and social exclusion, what priority they placed on promoting productive employment and what impact structural adjustment programmes had had in that area. He would also like to learn how the institutions intended to follow up on the Special Initiative on Africa.

Mr. KAMAL (Pakistan) said that the World Trade Organization had emphasized the facilitation of capital mobility, but he would welcome further discussion of the concept of labour mobility. Furthermore, social and environmental issues included in international trade regimes often appeared more protectionist than altruistic, and he inquired how the World Trade Organization would address such protectionist tendencies.

He asked the Bretton Woods institutions to give their views on what could be done to prevent uneven development of a region and what steps could be taken at the global level to ensure equity of capital flows. Developing countries had been asked to factor environmental concerns into their national planning, but he wondered what the institutions were doing to promote sustainable production in the developed countries. Further discussion of symmetry in policy execution would also be helpful.

With regard to UNCTAD, transnational corporations had been gaining increasing clout in the global economy, and it might be time to revive the idea of a code of conduct to assist developing countries in dealing with them.

Mr. AMORIM (Brazil) noted that, in his statement, the Secretary-General of UNCTAD had, in effect, offered a post-globalization agenda. The international community was beginning to see where the process was leading, for both good and ill, as evidenced by the growing problem of marginalization. Internal actions were indeed necessary, but international cooperation was also very much needed in the new context.

On the subject of global financial integration, as a result of their integration into the world economy, a significant number of countries had become more exposed to the volatility of financial markets. General Assembly resolution 50/91 on the challenges and opportunities of global financial integration had sent a clear message in support of a stronger role for international financial institutions, and it would be appropriate to hear from the heads of international financial and trade institutions on the status of implementation of some of the commitments made in that resolution, particularly in paragraphs 4, 5 and 6 thereof.

It was often argued that the relationship between the United Nations and the Bretton Woods institutions should be based on comparative advantage. The European Union believed that the United Nations should remain a forum where the complexities of international economic relations could be addressed; it therefore favoured a cooperative approach. Cooperation had been developed between the United Nations and the Bretton Woods institutions in a number of initiatives such as the Global Environment Facility and the Joint and Co-Sponsored United Nations Programme on HIV/AIDS, but it was essential to broaden the relationship and expand it to include central economic issues related to recent developments arising from the globalization process. In that context, he wondered how the IMF and the World Bank envisaged the dialogue at the intergovernmental, secretariat and operational levels and their views on an approach emphasizing the cooperative relationship regarding central economic issues. How could reforms in the Bretton Woods institutions help to bring them closer to the United Nations and vice versa?

Mr. MONTOYA (Colombia) said that the recent series of global development conferences had not contributed to multilateralism; on the contrary, a pessimistic view of prospects for resource flows had been expressed in many of their conclusions. Terms like "reform", "strengthening", "rationalization" and "efficiency" had been used to justify and conceal the true intention of restricting resource flows to multilateral institutions to a minimum.

He would like to learn what the World Bank was doing to react to the problem of negative net transfer of resources between the World Bank and developing countries, and it had considered a review of structural adjustment programmes. It was crucial to learn whether they had really helped alleviate

poverty or actually intensified it, and whether any alternative mechanisms existed.

Turning to the International Monetary Fund, he wondered what the international community could expect with regard to a solution to the multilateral debt problems of developing countries. The main reason for the lack of an integral strategy appeared to be a certain rigidity, and he hoped that a solution to the multilateral debt problem and the issues of bilateral and commercial debt could be reached simultaneously. He inquired whether the strengthening of mechanisms to monitor policies would apply not only to the developing countries but to countries where the capital flows, especially of private capital, originated. Finally, UNCTAD appeared to be a better forum than the World Trade Organization in which to address investment from a development perspective.

The meeting rose at 1 p.m.